

FOR IMMEDIATE RELEASE

CONTACT: John H. Lancaster, President
Guaranty Income Life Insurance Company
Telephone 225.383.0355
Fax 225.343.0047
johnl@gilico.com
www.gilico.com

August 19, 2009, Baton Rouge, Louisiana – A.M. Best announced today that they have changed the rating for Guaranty Income from B+ to B. The outlook is Stable.

Best cited rating downgrades on bonds that increased the "Below Investment Grade" holdings for Guaranty Income. Best stated, "The decline is primarily a result of market volatility and its impact on Guaranty Income's asset base. Guaranty Income maintains a conservative investment philosophy consisting of higher quality fixed-income securities. However, the company recently experienced rating downgrades in their mortgage-backed security portfolio which resulted in an increase in below investment grade holdings." Best also noted the favorable factors for Guaranty Income that include "a relatively stable absolute capital base, premium growth in its core product line, solid liquidity position and positive operating earnings."

We are disappointed with this rating change from A.M. Best. Guaranty Income has a conservative investment philosophy and has always maintained one of the highest quality investment portfolios in the insurance industry. The many rating changes made by Moody's and Standard & Poor's rating agencies during the first half of 2009 resulted in their lowering twenty-one of the residential mortgage backed bonds owned by Guaranty Income from AAA rated to below investment grade. This unprecedented lowering on bond ratings, even on the most secure tranches of residential mortgages, has temporarily created a larger than usual amount of lower rated bonds in Guaranty Income's portfolio.

We have already taken actions to reduce this temporary problem by selling some of these bonds. Additionally, we are receiving large principal payments on most of these bonds and expect upgrades on others that were lowered. We have performed cash flow testing on all of these bonds. Based on assumptions using historically high home mortgage default rates and high severity of loss on foreclosed homes that are resold, some of these bonds could incur small losses in the future. Through August 18, 2009, we have not lost one dollar of principal on any of these downgraded bonds.

Guaranty Income is proud of our 83-year history of providing safe and secure products to our policy owners and agents. We purchase only high quality bonds and do not buy any below investment grade bonds. We have less than 2% of our assets invested in real estate and direct mortgages. We have less than 2% invested in stocks. We have over 10% of our assets in cash and short-term investments, and we have no debt at Guaranty Income.

Our operating income has been solid over the last five years, and we intend to continue offering excellent consumer oriented products, backed by high quality investments to our customers.

Guaranty Income Life Insurance Company was founded in 1926 and is a Legal Reserve Insurance Company currently licensed in 31 states. In addition to cost-effective life insurance, long-term care and annuity programs, Guaranty Income offers products and services to help families meet their financial needs of wealth protection and wealth creation today and in the future.

###



NEWS RELEASE

A.M. BEST COMPANY, INC., OLDWICK, NJ • A.M. BEST EUROPE, LTD., LONDON
A.M. BEST ASIA-PACIFIC, LTD., HONG KONG

CONTACTS: Analysts

Louis Savarese
(908) 439-2200, ext. 5168
louis.savarese@ambest.com

William Pargeans
(908) 439-2200, ext. 5359
william.pargeans@ambest.com

Public Relations

Jim Peavy
(908) 439-2200, ext. 5644
james.peavy@ambest.com

Rachelle Morrow
(908) 439-2200, ext. 5378
rachelle.morrow@ambest.com

A.M. Best Downgrades Ratings of Guaranty Income Life Insurance Company

OLDWICK, N.J., Aug. 19, 2009—A.M. Best Co. has downgraded the financial strength rating to B (Fair) from B+ (Good) and issuer credit rating to “bb+” from “bbb-” of **Guaranty Income Life Insurance Company** (Guaranty Income) (Baton Rouge, LA). The outlook for both ratings is stable.

The rating downgrades recognize Guaranty Income’s decline in its risk-based capital position as measured by Best’s Capital Adequacy Ratio (BCAR). The decline is primarily a result of market volatility and its impact on the company’s asset base. Guaranty Income maintains a conservative investment philosophy consisting of higher quality fixed-income securities. However, the company recently experienced rating downgrades in their mortgage-backed security portfolio which resulted in an increase in below investment grade holdings. As a result, Guaranty Income’s risk-based capital ratio, as calculated by BCAR, materially weakened. In addition, given the uncertainty of the current investment climate, A.M. Best remains concerned over the potential for additional investment losses and further rating actions on Guaranty Income’s investment grade and below investment grade fixed income portfolio, which could further weaken the company’s risk-adjusted capital ratio.

As a positive offsetting factor, Guaranty Income’s liquidity position is strong, characterized by significant holdings of cash and short-term securities. A.M. Best expects the



NEWS RELEASE

A.M. BEST COMPANY, INC., OLDWICK, NJ • A.M. BEST EUROPE, LTD., LONDON
A.M. BEST ASIA-PACIFIC, LTD., HONG KONG

company to draw down its short-term position and invest in high quality fixed assets over the next several months.

Guaranty Income's absolute level of capital has remained relatively stable in recent years following capital contributions, as the parent has sold several non-core subsidiaries and used the proceeds to retire debt and contribute capital to Guaranty Income. Additionally, the company has reported favorable individual annuity premium trends due to marketing initiatives and strengthening of its distribution channel. Moreover, better spreads have contributed to improved operating results during the past several years. A.M. Best will continue to monitor the current economic and investment climate and assess the impact on the company's risk-based capital ratio.

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit www.ambest.com/ratings.

The principal methodologies used in determining these ratings, including any additional methodologies and factors, which may have been considered, can be found at www.ambest.com/ratings/methodology.

Founded in 1899, A.M. Best Company is a global full-service credit rating organization dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers. For more information, visit www.ambest.com.

#####